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Jobs, Work and Citizens' Income: Four Strategies and a New Regime

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Jobs, Work and Citizens' Income: Four Strategies and a New Regime

by David Purdy

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Two transformations are currently under way in Western Europe, one rapid, the other slow, but both stressful. In the labour market, mass unemployment and work flexibilisation have undermined personal security and unravelled social cohesion. In domestic life, the demise of the male breadwinner and the partial convergence of gender roles have highlighted the distinction between working and having a job and have challenged the sexual division of labour as a whole. This paper makes two main claims: that what is required to tackle the job crisis and speed up progress towards gender equality is not so much a new policy as a new policy regime; and that the most promising basis for developing such a regime lies in the idea of Citizens' Income.

The term "Citizens' Income" refers to a recurrent cash transfer financed out of taxation and payable to every legal

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resident of the state concerned, each in his or her own right, with no means-test or work requirement. A social entitlement of this general type can be justified on several grounds, introduced in different ways, paid at varying rates, financed from alternative sources and regulated by various methods. The idea should, therefore, be regarded as an ongoing field of debate rather than as a settled programme. My argument is that while Citizens' Income is no panacea and, indeed, is deeply problematic, nevertheless, it offers a valuable tool for rethinking public policy towards jobs and gender.

The paper contains four sections. In Section 1, I review the history of employment policy since the Second World War, focusing in particular on the rise and fall of post-war settlement and the failure of the neo-liberal revolution which overturned it. In Sections 2 and 3, I examine four alternative strategies for reducing unemployment. Three of these are primarily concerned to promote faster economic growth. The fourth aims to create more jobs by reducing hours of (paid) work. Having assessed each strategy both on its own terms and against the need for a new regime, in Section 4 I consider the potential of Citizens' Income as a focus for social negotiation. I argue that by bringing questions of distribution and the management of the economy into a common frame of reference, a regime based on Citizens' Income would forge three critical links: between the everyday life of each individual and the collective life of society as a whole; between personal autonomy and public policy; and between economic development and social dialogue.

1. The rise and fall of the post-war settlement: a tale of two regimes

Like other aspects of social formations, public policy is continually evolving and, from time to time, the resulting mutations become so marked that we are justified in speaking of a change of regime. The rise and fall of the post-war

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settlement provides a classic example. At the end of the Second World War, the balance of social and political forces, both on an international scale and within each major capitalist state, swung strongly in favour of radical reform. The significance of the resulting settlement is open to debate. In part it amounted to a new social contract between state and citizens. But it also represented an historic compromise between capital and labour and a return to business as usual in relations between men and women. What is clear, however, is that after the war one of the central aims of public policy was to stabilise the rate of unemployment around a low average level. To this end, governments accepted responsibility for three interrelated tasks:

(i) the management of aggregate demand with a view to avoiding slumps, moderating cycles, underpinning business confidence and promoting economic growth;

(ii) the pursuit of active labour market policies designed both to minimise the costs of finding or filling job vacancies and to reduce the incidence of structural unemployment, whether by redressing regional economic imbalances or by removing obstacles to occupational and geographical labour mobility;

(iii) the maintenance of regular dialogue with representatives of both trade unions and employers' organisations in an effort to keep industrial conflict within bounds, foster co-operation between management and labour in the production process, and secure voluntary wage restraint.

The new regime laid the foundations for the post-war transformation of the capitalist world. It did, however, have its limitations. For one thing, it was primarily "national" in scope. There were, of course, important developments in intergovernmental co-operation in the 1940s. But these were mainly designed to suit the USA which, having emerged from the war as the dominant military and economic power, assumed the role of capitalist overlord and chief bulwark

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against the perceived threat of Soviet socialism. International institutions remained underdeveloped by comparison with national polities, and as Europe and Japan underwent their respective economic miracles, American hegemony waned and the Western alliance lost its cohesion. This became a critical source of weakness in the 1970s. Policy-makers had always realised that it was going to be difficult to reconcile full employment with price stability. When the multiplication of oil prices gave a sharp new twist to the domestic wage-price spiral, what had previously been merely difficult, became almost impossible, and after failing to achieve a negotiated solution to their internal economic conflicts, most Western governments abandoned the commitment to full employment and sought to curb inflation by deflating demand. But this created a new problem. With the world's main economies locked together in recession, none was able to extricate itself by its own unilateral efforts, particularly now that the global economy was more integrated than before and international competition more intense. As the French socialists discovered at the beginning of the 1980s, "Keynesianism in one country" was no longer an option.

Even if national governments managed to stave off "stagflation", there was no guarantee that full employment would be maintained. One stumbling block was the process of technological and structural change. If the rate of job creation in the private sector fell continuously below the rate of growth of the labour force, neither demand management nor active manpower policies would avail: short of reducing the labour force by repatriating immigrants and redomesticating women, the only way to prevent rising unemployment was to expand employment in the public sector. But a *permanent* rise in public employment, as distinct from a temporary stimulus to aggregate demand, would have to be financed by increased taxation, and even though it was manifestly better to employ people on socially useful work than to pay them to remain unemployed, there was no assurance that taxpayers would be

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willing to foot the bill, especially when they were being urged by the opponents of the post-war settlement to reject "big government" and embrace the freedoms of the market. Thus, at the very moment when an expansion of the public sector was needed to absorb labour that was surplus to the requirements of the private sector, this option was blocked by an adverse balance of forces.

Tax aversion stemmed from the same source as chronic inflation. Both were manifestations of deep-seated distributive conflicts that could not be resolved without correspondingly radical changes in social organisation. This was particularly evident in the case of inflation. In the long run, full employment was incompatible with unregulated wage bargaining. If society failed to develop an organised substitute for the discipline of mass unemployment, sooner or later the growth of money wages would outstrip the growth of productivity and unit labour costs would rise. When macroeconomic policy was restrictive and product markets were "hard", profit margins would be squeezed and firms would eventually respond by reducing investment or moving abroad. When macroeconomic policy was accommodating and product markets were "soft", firms could offset cost increases by raising their selling prices. The resultant inflation might be tolerable, and even stimulating, as long as the *rate* at which prices rose remained moderate, stable and roughly in line with what was happening abroad. But there was always a risk that single-digit, steady-state inflation would accelerate out of control, with damaging consequences for both social and economic equilibrium.

The key to stability lay in restraining the growth of money wages. It was unwise to rely on *statutory* wage controls. These might be tolerated in an emergency, but could not be sustained for long without provoking conflict. The only alternative to re-imposing the impersonal discipline of the market, therefore, was some form of *voluntary* wage restraint. But this was easier said than done. The negative argument that without it full

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employment would be lost and union power destroyed, carried little weight with a generation that had come to take these things for granted. Workers and unions required some positive inducement before agreeing to give up their traditional commitment to free collective bargaining. They might be prepared to accept wage restraint in exchange for concessions on other fronts: improved public services; enhanced social transfers; stronger employment rights; and greater industrial democracy. But the first and second of these depended on the acquiescence of taxpayers (most of whom, of course, were workers in another guise); whilst the third and fourth depended on the willingness of employers to accept some curtailment of the "prerogatives" of management. The scope for policy bargaining, therefore, was tight.[1]

Two further obstacles had to be overcome before a system of voluntary pay restraint could be made to work. One was the notorious difficulty of securing local compliance with centrally negotiated norms. The other was the dubious legitimacy of a dialogue which was confined to the big batallions. In a pluralistic society marked by intersecting social divisions and multiple social identities, neither employers' organisations nor trade unions could plausibly claim *exclusive* access to the corridors of power. But how could a wider range of interests be brought to bear on the process of economic policy-making? *Which* interests should be involved? How were they to be represented on policy-making bodies? What powers would these bodies have and how would such extended social dialogue relate to the system of parliamentary government?

One way of dealing with these conundrums was to sweep them aside. This was the brutal, but effective solution adopted in Britain. It was ironic that the country which had given birth to the

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1 For a fuller analysis of the dilemmas posed by voluntary wage restraint, see Purdy (1981).

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Keynesian revolution and which had once prided itself on its consensual politics, should become the testing ground of the neo-liberal counter-revolution. It was doubly ironic that the ancien regime should be overturned by a *Conservative* government, though one should not exaggerate the role of vanguard leadership: by the end of the 1970s, the post-war settlement was exhausted.[2]

The government's first step was to derecognise trade unions, discontinue the practice of social dialogue and tilt the balance of industrial relations law in favour of employers. Then, having untethered the exchange rate, deregulated financial markets and clamped down on public expenditure, it set about replacing the old, discretionary approach to demand management by a tough regime of monetary targets which were not only non-negotiable, but supposedly immutable. The aim was to force unemployment up to whatever level was needed to eradicate inflation psychology and bring wage negotiators to their senses. In the perverse jargon of neo-classical economics, this was known as the "natural" rate of unemployment, though it was acknowledged to be neither constant nor impervious to policy. Governments, it was argued, could lessen the pain of adjustment and lower the "natural" rate by appropriate institutional reforms. They could, for example,

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2 The account that follows draws primarily on British experience, not because the British case is typical, but for precisely the *opposite* reason: Britain offers a particularly striking example of an advanced capitalist state in which the post-war settlement was deliberately overturned. If, as Esping-Andersen (1990) maintains, Britain approximates more closely to what he calls the *liberal* type of welfare state than to either the *social democratic* or the *conservative* type, then we should at least distinguish between two sub-types of liberal regime, which might be labelled *liberal-collectivist* and *liberal-individualist*, respectively. An alternative nomenclature, more closely tied to political ideology and the specificity of British experience, is proposed by Marquand (1988), who distinguishes between *Keynesian social democracy* and *neo-liberalism*.

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make wages less rigid and employment practices less restrictive by deregulating the labour market. They could also sharpen up work incentives by reducing direct taxes and redesigning the social security system to make the condition of unemployment "less eligible".

Some aspects of the new regime proved to be short-lived. The attempt to steer the economy by remote control, for example, soon foundered on the difficulty of defining the money supply and controlling its growth. But faith in binding rules and constitutional fixes remained unbroken. By the mid-1980s, conventional wisdom had come round full circle to the view that a stable exchange rate offered the most reliable anchor in a turbulent world. Similarly, after a renewed upsurge of inflation at the end of the 1980s had triggered the third major recession in fifteen years, it became fashionable to insist that an independent central bank offered the best guarantee that such lapses would never recur.

Evidently, the conquest of inflation required more than a short, sharp shock. Unemployment continued to fluctuate over the course of the economic cycle, but the *average* rate of unemployment in Britain between 1980 and 1995 was over four times as high as during the 1950s and 1960s, and Britain's experience was by no means exceptional. Elsewhere, governments had generally been more pragmatic and less doctrinaire in their approach to economic policy, but all had been influenced by neo-liberal ideas and by the mid-1990s almost all faced levels of unemployment that were forbiddingly high and stubbornly persistent, though none was prepared to say what most people believed—that "full employment" had gone forever. In this sense, the new economic order never acquired the credibility that the old regime had enjoyed in its heyday: the prosperity of the later 1980s was illusory and by the middle 1990s nobody felt secure.

The new order was also ferociously unjust. After a brief lull in the early 1980s, average real wages resumed their upward

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march. Meanwhile, as unemployment mounted, the *dispersion* of earnings widened and workers at the lower end of the labour market suffered an *absolute* as well as *relative* fall in pay. More generally, the combination of low pay, mass unemployment, marital breakdown and welfare retrenchment produced an unprecedented rise in the incidence of poverty, while those blessed with marketable skills, commanding positions or plain good fortune were rewarded with unseemly pay hikes and gratuitous tax cuts. These developments caused widespread disquiet and were deeply disconcerting for free market liberals. As the rich got richer and the poor got poorer, the claim that the benefits of a more dynamic market economy would (eventually) "trickle down" to the poor, began to look more and more threadbare. Commitment to the sanctity of the market was an even greater handicap. Having rejected the concept of *social* citizenship as dangerously misguided, free marketeers found it difficult to engage with public concern about social injustice. In their eagerness to remove the dead hand of the state from the engine of economic growth, they had forgotten that political economy was once *moral* science. Mechanistic Marxism had made the same mistake and as the millennium approached, mechanistic liberalism looked set to share its fate.

2. *"Growthist" responses to mass unemployment*

European social policy is at a turning point. Since neo-liberalism lost its grip in the early 1990s, no rival paradigm has come to the fore and the challenge of mass unemployment continues to defy public policy. Five main policy responses can be identified: (i) continental Keynesianism; (ii) resurgent neo-liberalism; (iii) supply-side social democracy; (iv) reduced working time; and (v) Citizens' Income. The first two of these offer new variations on old themes: one seeks to stimulate demand on a supranational scale as part of a fresh attempt to create closer political union

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in Europe;[3] the other seeks to complete the unfinished market revolution by renewed efforts to deregulate the labour market and deconstruct the welfare state.[4] Supply-side social democrats advocate a two-pronged attack on unemployment and poverty, combining greater investment in human capital with "productivist" reforms of the welfare state.[5] The fourth and fifth responses stand apart from the rest. Both focus on *distribution* rather than growth and both tend to be favoured by what is left of the left: reduced working time by traditional socialists;[6] Citizens' Income by a rainbow coalition of social libertarians, liberal socialists and reddish Greens.[7] I should stress, however, that these affiliations are highly approximate: in the post-modern era, pragmatism rules and political alignments are fluid. One should not be surprised, therefore, to find parties and governments shifting their ground or mixing their responses. So far, the main contenders in the struggle for hegemony have been free marketeers and social democrats: ambitious plans for pan-European pump-priming, shorter hours of work and the reinvention of social citizenship have remained on the margins of public debate. But in a period of flux, the balance of opinion can easily change.

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3 For a clear statement of the case for "continental Keynesianism", see Commission of the European Community (1994).

4 See, for example, Redwood (1994) or virtually any recent publication of the Institute for Economic Affairs (London) and the Adam Smith Institute (London).

5 Reich (1991) is the guru of supply-side social democracy. For a sustained exposition, see Commission on Social Justice/Institute for Public Policy Research (1994).

6 In my experience, most people who advocate reduced working time as a remedy for unemployment have little idea of the difficulties involved. A rare exception is Aznar (1993).

7 Purdy (1994) surveys the European debate on Citizens'Income. Van Parijs (1992) and (1995) examines the relevant ethical issues. Atkinson (1995) concentrates on technical questions of public finance.

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In order to compare alternative approaches, it will be helpful to abstract from certain features of the labour market. In view of current trends towards casualisation and "jobless work", it might be better to refer to "earning opportunities" rather than regular jobs. For simplicity, however, I shall continue to use the latter, more traditional term. In reality, jobs are heterogeneous. They differ with respect to geographical location, skill requirements and effort standards. They also provide those who do them with different combinations of *intrinsic* gratification and *financial* remuneration. For the moment, I propose to ignore these differences so that hours of work performed in different sectors and occupations can be added together.

By definition, the total number of hours worked in the formal economy over any specified interval of time is equal to the number of jobholders (N) times average hours worked (H). (If each employed worker has only one job, N also represents the number of jobs). Multiplying this total by hourly productivity—i.e. physical output per worker-hour (P)—gives the aggregate volume of output (Q). Thus:

(1) $\log Q = \log N + \log H + \log P$.

Differentiating (1) with respect to time, using lower case letters to denote percentage rates of change, and re-arranging terms, we obtain:

(2) $n = (q - p) - h$.

The first three strategies identified above can all be characterised as "growthist". By this I mean that their central aim is to create more jobs in the formal economy by boosting the rate of economic growth, q. To be sure, each strategy offers different ways of achieving this *desideratum*. But they all agree that economic growth holds the key to success and they all, in effect, take working hours as given (i.e. assume $h = 0$). To avoid misunderstanding, it should be stressed that output need not grow faster *forever*: just for as long as it takes to bring unemployment down. What is envisaged, in other words, is a

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period of transition during which the economy puts on a spurt and output moves from a lower to a higher trend, but then resumes its former rate of advance.

Since I wish to concentrate on the distinction between those remedies for mass unemployment which seek to *expand* total job opportunities and those which seek to *redistribute* roles and resources, I shall not attempt a detailed evaluation of the three "growthist" strategies. I do, however, wish to draw attention to certain general issues which have been neglected in public debate and which are pertinent to the themes of this paper. These concern, respectively: the disciplinary function of unemployment; the distinction between long run possibilities and short run policies; the relationship between output growth and productivity growth; and the pursuit of economic growth as a solvent of conflicts over distribution.

Unemployment and inflation

I argued earlier that the control of inflation was the Achilles heel of the post-war settlement and that after the failure of attempts at wage restraint, the distributive conflicts that drive the inflationary process were not so much resolved as suppressed. The potential for conflict has not disappeared. If anything, the experience of deprivation and the sheer injustice of current distributive arrangements will have amplified pent-up discontent, while the relentless commodification of economic life, the unresolved crisis of public legitimacy and the fragmentation of social identity have made it harder to deal with conflicts over distribution when they occur. If this analysis is correct, it follows that any sustained attempt to run the economy with a lower degree of slack would release the brake on inflation. Thus, from the standpoint of society as a whole, the unemployed are not, strictly speaking, "unproductive": the "service" they perform is that of helping to keep inflation down.

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Renewed inflation would be a particular danger for any policy based exclusively on stimulating demand, however camouflaged by the rhetoric of "public-private partnership". "Keynesianism in one continent" *might* be less vulnerable to exchange rate depreciation and rising interest rates than "Keynesianism in one country". But even a single European currency would come under pressure if financial institutions had no confidence in the policies of a federal European government. And whatever happens in the financial markets, there remains the risk that as demand expands and unemployment falls, the domestic wage-price spiral will speed up.

It can, of course, be argued that current rates of unemployment are unnecessarily high and that inflation could be contained at a lower cost in terms of personal hardship, public expenditure and social cohesion. On this point neo-liberal deregulators and supply-side social democrats are agreed, though they have very different ideas about the best way to reduce the "natural" rate of unemployment. It is, however, important to distinguish between long-run possibilities and the short-run context in which policy choices must, perforce, be made. In the long run, otherwise identical economies may exhibit very different rates of unemployment, depending on the stance of public policy. It does not follow that an economy which is already burdened by high unemployment can always be made to converge on a low unemployment path. Successful "transition" depends on how the principal social actors respond to the evolving situation.

Long run possibilities and short run policies

Consider supply-side social democracy. Investment in physical and human capital is certainly necessary to raise productivity, enhance product quality and improve international competitiveness. But in the short run, with skills and capacity fixed, spending more on investment means spending less on

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consumption, and unless some way is found to restrain the demand for consumption goods, whether for private or public purposes, there is a risk of precipitating an inflationary tug of war between workers, employers and the state. If government makes no attempt to treat sectional interest groups as social partners, and if sectional interest groups take no responsibility for the fate of society as a whole, there may be no alternative but to impose an old-fashioned fiscal and monetary squeeze, driving the economy into recession and forcing up the level of unemployment. Conversely, if inflation is held at bay by tight money and tough budgets, firms will be reluctant to commit themselves to spending more on investment, even if deregulation lowers their costs and enlarges their freedom.

Neo-liberals are equally cavalier, both about demand and about society. They too insist that the "only" way to reduce unemployment is to create more jobs and that the "only" way to create more jobs is to strengthen international competitiveness. Where they differ from their opponents is in believing that the best way to do this is to intensify competitive pressure on the domestic market so as to bear down on prices and costs. Critics of this policy point out that the comparative advantage of advanced capitalist countries lies in technology- and knowledge-intensive products; and that in these, the most rapidly growing sectors of international trade, competitive strength depends more on product *quality* than on product *price*. They further contend that for a country which is undercapitalised, technologically backward and educationally deficient, deregulation is, at best irrelevant and, at worst, counterproductive. Free markets are notoriously bad at bringing about large and rapid changes in the balance between investment and consumption and at producing adequate supplies of skilled and educated labour. Unbridled competition also undermines social cohesion and public morale, conditions which are desirable not only for their own sake, but also because they affect economic performance. In any case, the vision of a comprehensively deregulated and perfectly

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competitive economy is unrealisable and reckons without the fear and insecurity which constantly impel human beings to search out *some* kind of shelter against the rigours of the market, even if this means accepting "protection" from gangsters and thugs.

For the sake of argument, however, let us assume that the neo-liberal strategy is feasible: i.e. that it is possible to make the labour market even more flexible than it already is and to effect substantial cuts in social security without damaging the social fabric. Other things being equal, these "achievements" will reduce domestic costs of production relative to costs in the rest of the world. They will also reduce real wages relative to the level that would otherwise have obtained. On both counts, profitability will improve. It does not follow, however, that the result will be more investment, higher output and additional jobs. This *might* happen, but there is no guarantee that it *will*. Everything depends on how firms judge the longer run economic outlook: that is, on the state of business confidence. Now within any political community, the state of business confidence is bound to depend to some extent on external events outside anyone's control: oil price shocks and the like. But the way that governments and other social actors *respond* to events is an "endogenous" variable susceptible to conscious modification through political interaction and social dialogue. In this case too, therefore, we are obliged to transcend a narrowly economic perspective and recognise the need for a rounded and balanced approach to public policy.

Output growth and productivity growth

Few economic issues cause more confusion than the relationship between output growth and productivity growth. Most people find it hard to believe that jobs can be created by enabling each existing worker to produce more output in a given period of time. The standard retort is that by strengthening international competitiveness and improving domestic

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profitability, productivity gains will eventually lead to faster economic growth. As we have just seen, this latter claim is open to doubt. But even if it were well founded, it would not follow that the economy would end up with more jobs than before. Output and productivity might both grow faster *in tandem*, leaving the difference between them, (q - p), and hence the rate of job creation, n, unchanged. This does not mean that technological and organisational innovation is a waste of time. In the global marketplace, failure to keep up with the competition will eventually lead to slower growth and fewer jobs. Nevertheless, the point remains that while competitive prowess may *save* jobs, it will not necessarily *create* them. In this sense, international competition is a treadmill, forcing everyone to keep running faster in order to stay in the same place.

Economic growth and distributive conflict

So far I have raised doubts about the *efficacy* of growthist remedies for unemployment. But one might also question the general desirability of faster economic growth. Two issues arise in this connection: the effects of economic growth on distributive conflict; and the problem of environmental degradation and the quality of life. Since the latter lies outside the scope of this paper, I merely note that it is linked to the former: *if* there is an environmental case for *restraining* the rate of growth of global GDP, it becomes all the more urgent for humanity to begin to renegotiate its distributive arrangements, on an international scale, as well as within each state.

Except for non-renewable resources and positional goods, which are fixed in supply by their nature, it is always tempting to believe that conflict over distribution could be avoided, or at least eased, if the supply of whatever the conflict is about could somehow be augmented. Conversely, the mayhem which followed the fall of Communism in Eastern Europe and the former Soviet Union is only the latest of numerous historical episodes in which distributive conflict has intensified as the

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supply of goods contracted. The lesson for social reformers seems obvious: as a rule, policies designed to redistribute resources and opportunities in favour of the least advantaged sections of society will cause less pain and provoke less resistance when resources and opportunities generally are expanding. In the long run, of course, if sectional claims are simply scaled up in proportion to the supply available to meet them, economic growth can make no difference to the severity of distributional conflict. Even so, people's material aspirations do not adjust instantaneously and in the short run it still makes sense to seek to enlarge the cake, either as an alternative to redividing it or as a way of making redivision more palatable.

Suppose we grant the truth of these generalisations. It would not follow that economic growth is the only, or even the most efficacious, response to distributive strife. There is also the possibility of cultural development, broadly construed to include institutional innovation, normative renewal and changes in the way people think of themselves, understand their relations with others and confer meaning on the world they inhabit. From this standpoint, what is required to resolve, or at least mitigate, conflict over distribution is not more goods (or fewer bads) to share around, but a change in social mores. If, in other words, proponents of redistribution can persuade a sufficiently large number of their fellow citizens that the distribution of income and work *ought* to be governed by certain definite principles, there is no need to mollify privileged groups by going for growth.

Of course, *real* citizens are not like the imaginary subjects of Rawls's famous thought-experiment, who are invited to decide on the principles which they would want to govern their social arrangements without knowing how they themselves will be affected by whatever they decide.[8] In pluralist societies in

8 See Rawls (1972).

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particular, where conflicts over value and distribution are endemic, the prospect of agreement about the fundamentals of social justice in this sense seems forlorn. But the idea of a new distributive settlement begins to look less implausible if it is seen as part of a general programme for economic and social development, particularly one that is not fixated on jobs in the formal economy, but takes an expansive view of social reproduction as a whole. This, I shall argue later, is the best way to think about the concept of Citizens' Income: not as an instrument of distributive justice, nor as a technique of public administration, but as the centrepiece of a long-term process of social transformation.

3. Reduced working time

Proponents of a new distributive settlement are not committed to faster economic growth. Without necessarily denying the *general* benefits of economic growth, they do deny that the *only* way to reduce unemployment is to raise the rate of growth. The case for Citizens' Income is considered later. In this section, I want to focus on the argument that there is *independent* scope for increasing the number of jobs by reducing average working hours. Before assessing this claim, however, we need to be clear about what is meant by reduced working time. For by no means every arrangement that shortens *average* working hours will help to combat social exclusion and change the sexual division of labour.

Reduced working time (RWT) comes in eight different forms:

(i) reductions in systematic overtime;

(ii) longer annual holidays;

(iii) an increase in the proportion of part-time relative to full-time jobs, or in "short" part-time relative to "long" part-time jobs;

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(iv) flexible employment contracts (e.g. on-call or short-term contracts);

(v) early retirement from or delayed entry to the labour force;

(vi) jobsharing and job rotation schemes;

(vii) sabbatical, parental and caring leave arrangements;

(viii) reductions in the standard (full-time) working day/week/month.

Forms (i) and (ii) are largely irrelevant to RWT. Cuts in "regular" overtime and longer annual holidays are normally self-financing and hence leave the total number of jobs available unchanged. (This type of case is discussed in detail below). And neither measure seriously disturbs established gender roles. Forms (iii), (iv) and (v) have all developed apace since the mid-1970s, but, if anything, have tended to reinforce the division between "primary" jobholders (i.e. predominantly full-time, prime-age men) and the "secondary" labour force of part-time women, transient youth and dispossessed men in late middle age. Moreover, not all forms of "flexibilisation" have the effect of reducing hours of work. Workers engaged in homeworking, sub-contracting and own-account self-employment may well work *longer* hours than "standard" employees. More generally, one of the striking effects of labour market deregulation has been to widen the *dispersion* of working hours.[9] Thus, in the Anglo-Saxon countries, the same employer may shorten the hours worked by his low-paid, female staff in order to avoid paying social insurance contributions, whilst simultaneously expecting full-time employees to demonstrate their loyalty to the company by putting in extra hours for no extra pay, a practice which has come to be known as "presenteeism".

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9 For recent trends in working hours in Europe, see Watson (1992). For the United States, see Schor (1993).

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The forms of reduced working time with the greatest potential for redistributing roles and resources are (vi), (vii) and (viii). In general, these are women-friendly and their underlying ethos is pro-life, rather than anti-work. So far, however, with the exception of Scandinavian provisions for parental leave, none has made great progress. Job-sharing and job-rotation schemes tend to be confined to women and are rare outside the public sector. Sabbatical leave is largely restricted to higher professional groups and is normally self-financing: each worker in a department or working team agrees to take on a larger *average* workload in return for periodic entitlement to time off. And with the partial exception of Germany, trade union efforts to secure a shorter working week have generally been somewhat desultory in commitment, achievement or both. On balance, therefore, we may reasonably conclude that RWT is an uphill struggle. In what follows, I shall try to explain why.[10]

Recalling equation (2) above, we can capture what is distinctive about the RWT strategy by assuming that output is growing at some independently given rate q^* and treating n, p and h as variables: i.e.

(3) $n = (q^* - p) - h.$

The interpretation of equation (3) is straightforward. In the long run, various combinations of job expansion and hours reduction are compatible with any *given* pattern of output and productivity growth. Hence, provided there are no *unavoidable* costs involved in switching from one combination to another, society is, in principle, free to opt for whichever it prefers. Other things being equal, the higher the rate of economic growth, the greater the scope for job creation; and the higher the rate at which productivity is growing, the lower the job-creating potential of any given reduction in working hours. For

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10 For a fuller analysis of the obstacles to generalised reductions in working hours, see Purdy (1988) pp 145-192.

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convenience, in what follows, I shall assume that the economy is initially in a state of "jobless growth" with $q^* = p$.

It is, of course, highly implausible to suppose that if working hours are reduced by x%, the number of jobs will rise by x%. As explained in detail later, lowering h will normally raise employers' costs. In general, there are two ways of countering this problem: by raising productivity and by subsidising employment. Let us consider each in turn.

Productivity growth

To the extent that higher costs are averted by extra productivity growth, the reduction in working hours becomes self-financing. But if output continues to grow at the same rate as before, no new jobs will be created. Incumbent jobholders presumably benefit from shorter working hours, but there is no margin available for redistribution to other members of society.

Of course, it might still be argued that even if the distribution of paid work remains unchanged, a progressive lowering of working hours will "release" time for unpaid caring work in the informal economy. This is, indeed, a theoretical possibility, but its practical importance is likely to be slight. To see why, it is helpful to distinguish between *underlying* productivity growth, determined by deep-seated and slow-changing social forces, and *compensatory* productivity growth, which may be galvanised by the introduction or prospect of shorter working hours. Efforts to offset the costs of shorter working hours by changing working practices will normally be initiated by employers, but clearly they will not make much progress without the co-operation of the workers concerned. Now, while the margin of organisational slack can sometimes be considerable, for obvious reasons it tends to diminish in "hard times", just when the pressure for shorter working hours is likely to be greatest. In any case, slack can only be removed once, or

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once in a while, which probably explains why self-financing reductions in working hours are intermittent rather than continuous.

What of underlying productivity growth? Could this be tapped to pay for significant cuts in working hours? To simplify matters, assume that the number of jobs remains constant; that all workers have the same preferences; and that the *net* social product—what is left over after the replacement of used up means of production—is devoted entirely to consumption. In principle, when workers become more productive, for whatever reason, society has various options: it can expand total output, holding hours of work constant; it can decide to produce the same volume of output and reduce hours of work; or it can opt for some combination of increased output and reduced working time. According to neo-classical economics, which "option" society "chooses" depends on workers' marginal valuations of consumption and work. Output will go on expanding just so long as workers prefer an hour's worth of extra consumption to an hour less of working time. The trouble with this story is that its main character is missing. "Society" consists entirely of "workers" whose preferences are wholly autonomous and as easy to put into effect as those of a peasant smallholder leaning on his hoe and wondering whether to carry on weeding or call it a day. Employers, and more particularly *capitalist* employers, are nowhere to be seen. This omission is doubly unfortunate, for the same competitive imperative that continually impels capitalist firms to seek out ways of raising productivity, is also the factor that inhibits them from reducing working time. As productivity grows, firms do not, as a rule, take the opportunity to shorten hours of work. Instead, they seek to expand output either in their existing product range and outlets or by developing new products and entering new markets. And firms behave like this not because those in charge of them are

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irrational or malevolent, but because if they do not, they will eventually lose ground to their rivals.[11]

Obviously, this cannot be the *whole* story or hours of work would *never* fall. In the nineteenth century, for example, the state intervened to regulate competition, outlaw overwork and restore a sustainable pattern of working time. For present purposes, however, we need merely note that under capitalism the "choice" between alternative uses of productivity growth is biased towards output expansion. This is certainly consistent with the striking disparity between two long run trends. Over the past century, workers in today's advanced capitalist states have benefited from both higher levels of consumption and shorter hours of work. But they have not enjoyed these benefits in equal measure. Average annual hours of paid work have fallen by around 20-30%, whereas per capita consumption is now some five to fifteen times as high as a hundred years ago, depending on the initial level of development and the subsequent rate of growth in the state concerned.[12]

It is not that capitalism fails to give workers what they want. By and large, workers share their employers' expansionist bias, though to the extent that this is so, three features of the ambient culture should be borne in mind: first, from the moment they are born, people learn to want whatever happens to be available in the society in which they happen to live; second, over the long run workers and their organisations tend to pursue objectives which they have a reasonable chance of attaining rather than trying to cut against the capitalist grain; and third, until relatively recently the workers in question have been mainly male breadwinners, whose preferences as between higher wages and shorter hours of work were strongly conditioned by

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11 The argument of this paragraph is adapted from Cohen (1978) Ch. XI.

12 For long run trends in annual working hours and per capita consumption in sixteen advanced capitalist countries, see Maddison (1982).

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a highly polarised sexual division of labour. The last of these forces has probably been weakened to the extent that employment patterns and gender roles have begun to converge. But there is still a long way to go before the sexual division of labour disappears, and in the meantime any serious challenge to capitalism's tilted priorities still has to contend with the dominant culture of galloping consumption. Nor is there any guarantee that if "official" hours of work were shortened, men would spend more time on unpaid work in the home or the community: they might, for example, resort to moonlighting or to "cash-only" work in the underground economy.

Employment subsidies

I asserted earlier that reductions in working hours will normally raise unit costs, and suggested that firms might be given employment subsidies by way of compensation. Before investigating this possibility in detail, I need to justify my original assertion. Since it would be tedious to keep on qualifying statements in order to take account of different time standards in different sectors of the economy—the day, the week, the month etc.—I shall speak as if the only relevant time unit were the working week.

There are two quite distinct reasons for expecting employers' costs to rise when the working week is shortened. The first and, in practice, by far the most important, is the reluctance of workers to accept a *pro rata* cut in their *weekly* pay. Nevertheless, employers would still experience *some* cost pressures even if their employees showed no such reluctance. Initially, therefore, let us assume that an economy-wide cut in the working week is accompanied by an equi-proportionate cut in weekly earnings so that *hourly* wage rates remain unchanged. Let us also hold constant all other relevant determinants of the demand for labour, including—notably—the level of labour productivity. In these conditions, employers might be expected to respond by creating additional jobs and

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recruiting extra staff to fill them. Job creation would not, however, be costless. In moving from lower to higher staffing levels, firms would incur various *adjustment costs*. And once they had recruited additional staff, they would also face certain *recurrent costs*. Consider each in turn.

Adjustment costs include recruitment expenses—advertising vacancies, interviewing applicants, checking their suitability etc.—and training expenses. In most jobs, new recruits are less productive than old hands and need time to learn on the job. Supervisors and fellow employees may also need to be diverted from other tasks to help them. This strictly *temporary* additional cost might be offset by means of a correspondingly temporary marginal employment subsidy. For example, social security benefits currently paid to workers who are unemployed, might be transferred for a limited period to firms which agreed to employ them. Alternatively, firms taking on extra staff might be offered temporary rebates on their social insurance contributions. The latter arrangement would have the advantage of not discriminating against school-leavers and people re-entering the labour market, who would not be receiving unemployment benefit.

The main recurrent costs of having more workers on the payroll as compared with employing fewer workers for longer hours at the same hourly wage rate, are the additional social security contributions employers would have to pay. Some firms would also encounter awkward discontinuities in working patterns, rostering arrangements etc. These might be overcome by permitting firms to use the month, or even the year, as the relevant unit of reference for calculating working hours and numbers employed. Note, however, that the more exceptions are allowed for this kind of reason, the less the scope for breaking down the sexual division of labour. By its nature, unpaid care has to be provided on a daily basis and cannot be rescheduled. Leaving aside the technical difficulties of synchronising paid and unpaid work, the simplest way to relieve

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the burden of higher social insurance contributions would be to make marginal employment subsidies available on a *permanent* basis. Thus, every net *addition* to a firm's payroll would reduce the *average* amount it had to pay in social insurance contributions, spread over the whole of its workforce, not just for a limited period, but year after year.

It cannot be assumed, however, that employers would be happy to accept such an arrangement. For one thing, it discriminates in favour of labour-intensive and/or rapidly growing sectors of the economy at the expense of capital-intensive and/or declining sectors. And even in expanding sectors, the prospect of losing the subsidy would add to the cost of making workers redundant during subsequent economic downturns. To this extent, firms would have less flexibility over hiring and firing. These problems could be avoided by abandoning the idea of *marginal* employment subsidies and simply reducing employers'social security contributions across the board. But this would remove any incentive to create more jobs. There would, for example, be nothing to stop firms using the cut in payroll taxes to finance productivity deals under which *incumbent* employees are offered higher wages in return for accepting more demanding standards of effort. This possibility takes us back to the case of compensatory productivity growth considered earlier.

Perhaps the strongest objection employers are likely to raise has more to do with ideology than with production costs. For *permanent* employment subsidies represent a major extension of public influence over private enterprise. After all, the reason for subsidising jobs in the first place is to assert the public interest in reducing unemployment and redividing work. In these circumstances, employers might reasonably fear that for them to accept the implied admission of market failure, would

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fatally undermine their ability to resist other "encroachments" on their freedom of action.[13]

Extensive job subsidies would also give rise to anxieties about public finance. Of course, there need be no *net* increase in public spending to the extent that new jobs are filled by workers who were formerly (openly) unemployed and receiving unemployment benefit: public spending is simply switched from "unproductive" social transfers to "productive" job subsidies, though the prospect of *permanent* job subsidies might still raise eyebrows in the financial markets. But new jobs might also be taken by people who were previously outside the formal labour force—the hidden unemployed, unpaid caregivers, underground workers, newly arrived immigrants etc. In this case, total public spending will increase, though there will be some offsetting rise in tax revenue as more people are drawn into the tax net. Hence, in order to finance the resulting increase in its budget deficit, the government will either have to raise tax rates or borrow more. Either way there will be further repercussions for the rest of the economy. What repercussions exactly will depend very much on the reactions of taxpayers and financiers, respectively, and it would be unwise to be too dogmatic about the behaviour of these groups. For as I indicated earlier, the balance of opinion not only helps to shape the course of events, but can itself be shifted by judicious intervention. Whether RWT has what it takes to effect such a shift, is another matter.

So far I have assumed that workers are content to accept *pro rata* cuts in their weekly pay. But this is distinctly improbable. Low paid workers simply cannot *afford* to reduce their hours of

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13 There is an exact parallel here with Kalecki's analysis of the reasons why capitalists might resist forms of demand management which threatened to diminish the pivotal role of private investment in determining the level of economic activity. See Kalecki (1943).

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work, especially if they have family dependants. Higher paid workers may well prefer extra consumption to more free time, especially if they are not burdened by unpaid, home-based work. And full-time male breadwinners may also value the status and power they enjoy under the established sexual division of labour. Now, to the extent that workers insist on compensating increases in hourly wage rates, worries about the financial and political implications of shorter working hours would escalate dramatically. Faced with the prospect of higher unit costs, employers would have four basic options: (i) to find ways of raising hourly productivity; (ii) to lower their profit margins; (iii) to raise their selling prices; or (iv) to resist the shorter working week. If the first three options are either infeasible or unpalatable, RWT will find itself up against a powerful adversary. Nor is there any need for employers to appear recalcitrant. Pressure for reduced working time can easily be countered by offering local negotiation, market diversity and individual choice as superior alternatives to the imposition of *uniform* cuts in working hours across the economy as whole. In the absence of any countervailing vision which combines personal freedom with collective responsibility, this attractive and by no means false prospectus is likely to carry the day.

4. Citizens' Income

The last two sections have been sharply critical. Neither growthism nor RWT look like promising ways forward. But perhaps my criticisms are *too* sharp, and perhaps whilst none of the strategies examined above is adequate on its own, some suitable combination of them might be. Thus, *some* investment in trans-European infrastructure, as envisaged by the European Commission, might be coupled with *some* investment in education and training, as envisaged by the British Labour Party, which in turn might be backed up by *some* progress towards shorter working hours, as envisaged by the French

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Socialists. Room might even be found for "sensible" measures of deregulation. After all, the much vaunted contrast between America's record of job creation and Europe's record of job famine surely says something about the role of labour market rigidity.

For the time being, promiscuous pragmatism of this sort seems likely to prevail. Whether it can provide European society with a new lease of life is more doubtful. What is missing from the package just outlined is what is missing from each of its components: namely, any recognition of the difference between a new policy and a new policy regime. And given the profundity of the problems we now face, nothing less than a new regime is required. We are living through a dual transformation: in the forms and significance of paid employment; and in the division of labour between men and women. The wages system has been central to most people's lives for most of the past two centuries; the gender system, in one form or another, has been with us since the dawn of our species. Such is the speed and scale of the current upheaval that we can now envisage—within say, the lifetime of our children—a world in which paid work occupies a steadily shrinking proportion of each person's active lifetime, social transfers form a rising proportion of average income and, over the course of their lives, men and women perform much same kinds of work and receive much the same kinds of income, other things being equal. This is not, however, a prophecy or promise: merely a statement of social possibility. No one knows what the future holds and our efforts to control our destinies are always having to be changed. Neither, on the other hand, are we helpless victims of fate, and anyone who views the prospect of the decline of the wages system and the achievement of sexual equality with anticipation rather than alarm, is bound to ask what can and should be done to further it.

The answer, I submit, lies in re-organising the work-income nexus. It would be idle to pretend that this could be done

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quickly, by following any single line of policy or by imposition from above. If the twentieth century has taught us anything, it is surely that social reform must be gradual, balanced, flexible, reversible and, above all, democratic. At the same time, if public policy is to help transform social relations and re-orient the process of social reproduction, it must articulate the everyday life of each individual with the collective life of society as a whole. There is inevitably a certain tension between these two sets of requirements, the one cautious and consensual, the other radical and challenging. Nevertheless, it is possible to satisfy both. The concept of Citizens' Income (CI) shows how.

The concept of Citizens' Income

Modern welfare states provide two basic forms of social transfer: implicit transfers or tax expenditures; and explicit transfers or cash benefits. Tax expenditures are the revenues that the state forgoes when it exempts personal income from taxation by granting tax allowances and tax reliefs. Cash benefits fall into three broad classes: contributory social insurance, means-tested social assistance and categorical benefits. The latter, as their name suggests, are neither contributory nor means-tested, but can be claimed without further ado by anyone who belongs to the relevant social category. Perhaps the best known contemporary example of a categorical transfer is what is now known in the UK as "Child Benefit", a recurrent cash grant payable to the primary carer of every child from the moment the child is born up to the age it leaves school. Citizens' Income would be similarly categorical, but entitlement would be life-long and would be conferred on every man, woman and child who is a citizen of the state in question, the sole test of citizenship being legal residence.

Thus, CI differs from all existing social transfers in being payable:

(i) to individuals rather than families or households;

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(ii) irrespective of income from other sources;

(iii) without requiring any past or current work performance or any test of willingness to accept paid work.

The concept of Citizens' Income, as thus defined, is not tied to any notion of "basic human needs"—absolute, relative or otherwise. CI scales could exceed or fall short of whatever level of money income is deemed just adequate to enable a an able-bodied single adult of conventional working age to purchase a "subsistence" bundle of commodities. By the same token, a CI system would be perfectly compatible with ongoing debate about the appropriate definition of subsistence and, indeed, about the no less controversial question of the appropriate balance between marketed commodities, public goods and private use-values in providing for "basic needs". However, in so far as proponents of CI *also* insist that every citizen should be assured of (at least) the means of subsistence, the arrangement they have in mind has come to be known as *Basic Income* (BI). Of course, if everyone's minimum subsistence needs are to be provided for equally, account must be taken of age and disability. Thus, BI payments would have to be appropriately graduated, the old and the disabled presumably receiving more than other citizens, children less.

There is no reason why Citizens' Income should stand alone, even if it is pitched at a Basic Income standard. The prevention (or relief) of poverty is only one of several purposes served by social transfer systems. Accordingly, CI could easily be combined with suitably modified forms of contributory social insurance and means-tested social assistance. In the long run, most proponents of Citizens' Income aspire towards a *pure* CI system in which all citizens are guaranteed at least a Basic Income. For the foreseeable future, however, as we shall see, this is likely to remain a somewhat visionary ideal.

Opinions differ about how CI/BI should be financed. Most serious proposals envisage an earmarked tax levied on all personal earnings and property income above a modest

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threshold. The tax could be charged at a uniform percentage rate at all levels of income or at a graduated rate which rose with income. An integrated tax-transfer system of this kind has several important advantages. It is simple, and therefore cheap, to administer. It is transparent: when people pay their income tax, they know exactly what they are paying for; how much the poorest members of society are entitled to receive; and where they themselves stand in relation to this baseline. The system also creates a framework for distributive politics: the clear and direct link between CI scales and the standard rate of income tax ensures that questions of distribution acquire a permanent and prominent place on the political agenda, whilst at the same time emphasising that the scope for uprating CI scales is constrained by the prospective growth of taxable income. Finally, because the system politicises questions of distribution, without weakening fiscal discipline, it creates space and impetus for widening and deepening the degree of economic democracy. These points are elaborated below.

Basic Income Capitalism

In the Appendix to this paper interested readers will find an algebraic formula for the standard rate of income tax that would be required to finance a Basic Income in a fully integrated tax-transfer system. It is possible to make an educated guess about the likely values of the formula's various components, but for practical purposes these are destined to remain unknown, at any rate until CI is actually tried. From our present vantage point in the world (or worlds) of welfare capitalism, no one knows what would happen if the state were to grant all its citizens an unconditionally guaranteed minimum income financed out of income tax. The best we can do is speculate. Only those who cannot bear uncertainty will find this a matter for regret. In any case, the important thing is to understand *why* this uncertainty exists and to appreciate what it implies for public policy.

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Consider an advanced capitalist state which has hitherto maintained a conventional transfer regime based on some combination of social insurance, social assistance, categorical benefits and implicit tax expenditures. Imagine that after much controversy the citizens of this state decide to introduce Citizens' Income. Initially, the scheme is only *partial*: in coverage, scales or both. But subsequently, little by little, coverage is extended to the whole citizen body and scales are uprated until they reach some generally accepted standard of subsistence. At this point, the transition from welfare state capitalism to Basic Income capitalism is complete. It would now be possible to dispense with every last vestige of the old regime without plunging anyone into poverty, if this was what people wanted. Assume, for convenience, that the social product, and therefore total personal income, remain unchanged before and after the transition. (In general, this assumption is quite unwarranted, but it helps to simplify the argument that follows and nothing essential turns on it). Assume further that taxes and transfers are fully integrated in the manner described above.

If we compare the new regime with the old, three changes stand out. First, the share of total income devoted to social transfers—or for short, the "transfer ratio"—has grown and the "burden" of income tax is greater. Second, the most disadvantaged groups of citizens—those with no paid work and no income-yielding assets at all, and those who work in low paid or insecure employment—now have more income, or at any rate, more options than before. This change mainly affects women and children, most of whom belong to these groups. Conversely, those whose income from other sources exceeds a certain threshold—the precise level of which depends on contingent factors that need not detain us here—pay more in tax than they receive in transfers. (Of course, even if *total* income is unchanged, there is no reason to suppose that the detailed *composition* of these various income groups will be same as before). Third, with the exception of a wealthy minority for whom paid work was always a matter of choice rather than

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necessity, *all* citizens now enjoy greater freedom in deciding what to do with their lives and how to use their time.

What (if anything!) could have induced people to give their consent to these arrangements and why do they continue to give it? *Ex hypothesi*, the social product is unchanged and society as a whole faces the same economic constraints as before. We are, therefore, dealing with *pure* changes in the distribution of income and opportunity. It follows that all those groups whose net income is lower than before must somehow have been persuaded to modify their claims on available resources, either because their preferences have changed or because they have come to believe that this is the right thing to do. Now, it would be completely arbitrary to postulate some spontaneous shift in popular tastes or moral sentiments. What we want to know is *how* such changes could have come about in a complex society marked by competing values and conflicting interests. Either this question has no answer and Basic Income must be written off as a fantasy, or society must somehow have evolved a system of social negotiation which commands general popular support.

To see what this task of political and cultural innovation involves, consider the issues that have to be resolved during the process of transition. As CI scales approach the Basic Income standard and the transfer ratio rises, social policy and economic peformance become more and more intertwined. Since all citizens are transfer recipients and most adults will also be taxpayers, successive enhancements of CI scales are bound to impinge on everyone's interests in some way and to some degree, depending on who they are and what they care about. The uprating process also impinges on the wider economy. Other things being equal, the higher the level of Citizens' Income, the more freedom people enjoy in deciding whether, in what capacity, on what terms, at what times of life and for how long to participate in the labour market. The risk is, however, that this gain in personal freedom may exact an

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unacceptable social cost. For if everyone's subsistence is unconditionally guaranteed, alternatives to paid employment may become so attractive, the average tax rate so burdensome and incentives to acquire skills, take up jobs and work proficiently so attenuated, that employers have difficulty recruiting workers and maintaining discipline. And if this happens, the resulting shortage of labour will lead to domestic wage inflation, inward labour migration or external capital outflow, depending on how firms respond.

The risk of economic instability should not, however, be exaggerated. Basic Income offers no more than bare subsistence, and anyone who aspires to a higher material standard of living will still be motivated to earn it. The wages system still provides incentives to invest in human capital, seek out jobs and work conscientiously. Wage adjustments still help to maintain equilibrium among the different branches of social reproduction, now correctly reconceptualised to include those informal, caring activities which used to be taken for granted and were treated, in effect, as a free resource, by capitalists, breadwinners and governments alike. And for those who still care about such things, wage relativities still provide a badge of social status. In any case, at a time when our principal social problem is mass unemployment, it seems almost wilfully perverse to be worrying about an impending shortage of labour.

Nevertheless, there is no room for complacency. Despite their obvious differences, there is a *functional* resemblance between Basic Income capitalism and full employment capitalism. In both cases, the disciplinary function of mass unemployment is suspended and a conscious effort is required to stabilise the economy. The fate of the post-war settlement provides a sombre warning of the price to be paid for ignoring or forgetting this simple truth. And just as the relationship between inflation and unemployment formed the central preoccupation of economic policy throughout the post-war period, so in the age of Citizens' Income, the key

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macroeconomic variable will be what economists call the "replacement ratio": that is, the ratio between the scale of Citizens' Income and average earnings after tax. There is no *guarantee* that any given value of this ratio will be compatible with an acceptable economic performance. The task of public policy is to make sure that it is.

Citizens' Income Democracy

The critical issue is what kind of policy regime can best secure the social rights of citizens without endangering economic prosperity. This question has two interrelated aspects which, for the sake of clarity, I shall discuss separately. One concerns the institutional framework of public policy; the other its moral underpinning.

There is little hope of combining social citizenship with economic stability if the government attempts to steer the economy by remote control, setting the parameters of the tax and transfer system and leaving private agents in civil society to work out their own salvation. A government which stands at arms' length from other social actors can, at best, hope to influence their behaviour by threatening penalties or offering rewards. It has no direct means of harnessing their intelligence and authority to the policy-making process, or of persuading them to set aside their sectional economic interests in the name of the common good. This lesson has been repeatedly borne out under otherwise quite disparate regimes. From Stalinist central planning to technocratic Keynesianism, and from neo-liberal social engineering to experiments in "market socialism", modern methods of economic governance have ultimately come to grief because they have failed or, indeed, for the most part, never even tried, to connect the business of government and the process of policy-making with the business of civil society and the living of everyday life. In practice, of course, there is no sharp division between policy-*makers* and policy-*takers*. Sheer *realpolitik* leads all governments, however

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domineering or repressive, to try to anticipate the reactions of those affected by their decisions and to accommodate the interests of major powerholders. Similarly, organised sectional interest groups normally seek access to the corridors of power. But prudent calculation, or even pragmatic policy-bargaining, is not the same as a principled commitment to social dialogue and economic democracy.

What does all this imply for Citizens' Income? Let us try to imagine the general outlines of a regime that might be called a "Citizens' Income Democracy". Its guiding precept is a commitment to active partnership between state and civil society. Accordingly, at the level of central government, tax-transfer decisions and all related matters of policy are preceded by the widest possible public debate. The government keeps the CI system under continuous review; the work of socio-economic monitoring and forecasting is synchronised with the annual budgetary cycle; and policy adjustments are co-ordinated with the general conduct of economic policy. The build-up to "Citizens' Day" helps to focus public attention on what used to be known as the "the state of the economy" or, less impersonally, the "state of the nation", but is now more fittingly referred to as "the state of the citizens". And before decisions are finalised, sectional interest groups are invited to identify policy options, spell out their implications and argue the case for pursuing one option rather than another.

The formal occasion for this extended process of social dialogue is the annual meeting of the "Chamber of Interests and Values".[14] This is a public forum dedicated to debating questions of economic and social policy. Its functions are purely deliberative: it has no legislative powers. Its proceedings are

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14 Devine (1988) develops the case for a central "chamber of interests" as part of a more comprehensive system of democratic economic management based on what he calls "negotiated co-ordination".

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televised in full, though naturally the cameras are not privy to the secret meetings and political negotiations that go on behind the scenes and the air is thick with gossip, rumour, speculation and leaks. The composition of the Chamber is supervised by a Standing Commission of Parliament. After mandatory consultation with the general public, the Commission decides which social interests and moral communities should participate in the Chamber and what arrangements are to be made for giving voice to the interests of infants, future generations of humans and non-human species who cannot speak for themselves. Except in these latter cases, it is up to interest and cause groups themselves to decide who will put their case and what case will be put, though in cases of dispute the Commission's permanent secretariat is ready to assist with arbitration, conciliation and advice. No attempt is made to achieve "numerical balance". The views expressed by employers' associations or commercial banks already carry more weight than those of one-parent families or prisoners' welfare organisations: there is no need to reinforce them. Instead, the Commission's brief is to ensure that no important and enduring social interest or moral standpoint is excluded. Even this more limited and less elusive goal sometimes proves troublesome. But as the Commission regularly points out in its annual report, the problem of ensuring that no major interest or cause is excluded merges with the problem of ensuring that *included* interests and causes are *adequately* represented. If the former is a problem for the "state", whilst the latter is a problem for "civil society", this just goes to show that it is hard to say where the state ends and civil society begins.

Just as the Chamber of Interests and Values is designed to reconcile social citizenship with economic stability, so the watchword of decision-making at the micro-social level is personal autonomy and social responsibility. In families and firms, for example, CI gives women and wage-earners, respectively, greater financial independence and with it greater bargaining power. But whilst it is good to be able to leave an

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unhappy marriage or walk off the job without fear of impoverishment, it is even better if the power of exit is held in reserve and used as a lever to secure greater powers of voice. Thus, men and women are encouraged to renegotiate the sexual division of labour on the basis of long-term commitments both to each other and to their children. Likewise, employers and workers are encouraged to adopt more democratic forms of enterprise management on the basis of mutual trust and public accountability.

More generally, the aim of CI democracy is to rehabilitate civic life. In the declining years of the old welfare state, families, neighbourhoods and communities, the molecules of social cohesion, began to fall into decay. This was not so much because people had grown more "selfish", though the "me-now" culture of aggressive self-enrichment, compulsive consumerism, escapist hedonism and alienated lawlessness was hardly conducive to sociability and what older people nostalgically referred to as "community spirit". The deeper cause of civic distress, however, was the triple imbalance in social reproduction: between market price and social value; between paid and unpaid work; and between the respective social roles of men and women. Worldy success and public recognition depended on regular access to jobs in the formal economy, no matter how frivolous or damaging the activities involved, whereas essential unpaid work in the informal economy went not only unrewarded, but largely unnoticed. Worse still, since there were always too many people chasing too few jobs, losers and drop-outs faced a choice between living on the dole, going underground or falling into destitution, none of which did any good either for the individuals concerned or for society as a whole. Dependency was demoralising and disrupted public funds; fraudulence was corrupting and corroded public trust; vagrancy was humiliating and offended public taste.

The combination of Citizens' Income and civic regeneration holds the key to achieving a more harmonious

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relationship between economic development and social reproduction. Families and communities are less stressed and better served once unpaid work becomes a less disabling and more eligible alternative both to full-time employment in the formal economy and to clandestine activities in the underground. And unemployment ceases to exist as a social category. Of course, since the economy is still prone to cyclical fluctuations and technical change, occasionally there is still a surplus of labour seeking employment in the formal economy. But there are other, gentler ways of tackling this problem than promoting boundless economic growth. One is to stimulate public debate about reduced working time. Another, even simpler option is to enhance the relative attractions of unpaid work and encourage a marginal reduction in the total number of hours that people in the aggregate seek to spend in paid employment by raising the scale of Citizens' Income and the associated rate of tax.

Liberal socialism

At each stage in the transition to Basic Income capitalism and beyond, a balance must be struck between personal freedom, economic constraints and cultural norms. In general, voters, parties and pressure groups will have different views about where and how the balance should be struck and the eventual outcome will depend on the interplay between emancipatory endeavour and vested interest. In the long run, however, it is less important to secure any particular pattern of distribution than to establish a system of social negotiation with deep roots in public institutions and popular culture. There are bound to be stresses and setbacks in the process. But CI is resilient: its moral and intellectual foundations are strong and it appeals to values which are still widely shared in the West, though in recent years adherents of the two traditions which have been the most ardent champions of these values have suffered a series of

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defeats and are now disoriented and disheartened. I refer, of course, to the traditions of liberalism and socialism.

Historically, liberals and socialists have more often been enemies than friends. But in recent years, members of each camp have begun to discover that they have more in common than they used to think. Perhaps the best word to describe this emergent fusion is "liberal-socialism". Reconstructed socialists remain critical of classical liberalism and the minimalist, nightwatchman state. But they also care about personal freedom and want to see a strong civil society based on pluralism, tolerance and self-management. Reconstructed liberals remain critical of classical collectivism and the omniscient, caretaker state. But they also care about social justice and want the state to protect the social rights of citizens, not just to defend civil liberties and uphold the rule of law. The overlap between these two outlooks is not complete: certain tensions remain, particularly in relation to the balance between market forces and democratic control as principles of social co-ordination. Nevertheless, they share sufficient common ground to sustain a joint commitment to Citizens' Income. The aim of liberal-socialism is not so much to realise some ideal standard of distributive justice as to establish what might be called a "justice-seeking state". The case for Citizens' Income is that it provides the best way of pursuing this aim. As we have seen, once CI is paid on anything more than a purely token scale, it helps to enhance personal autonomy without ignoring the *collective* aspects of social life and without favouring some citizens over others. At the same time, the need to reconcile Citizens' Income with economic and social equilibrium, brings the pursuit of social justice and the management of the economy into a common frame of reference. Faced with changing economic conditions and shifting political balances, governments and citizens must continually review the parameters of the tax-transfer system and when they contemplate the options before them, they are, in effect, weighing the common claims of social citizenship against the competing claims of sectional interest.

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Within this general framework, there is room for ethical disagreement—about the content of the good life or the principles of social justice, for example. There is also room for conflict over the distribution of income, work and power. There are, however, three basic points on which everyone must agree and on which there is no room for compromise: first, that personal autonomy matters; second, that all persons are morally equal; and third, that citizenship entails *some* social rights and responsibilities, of greater or lesser scope and weight. As long as these principles are observed, the dimensions of social citizenship can expand or contract without altering the basic character of the state. It is also worth noting that liberal-socialists need not be embarassed by geo-political division. In principle, a CI system could be established in *any* kind of state, from a unitary world order to polities of the more familiar, geographically bounded variety.

Of course, what complicates the process of social negotiation in a CI regime is that people are not just citizens, but also men and women, natives and foreigners, managers and subordinates, jobholders and jobseekers, and so on. They also hold divergent values and beliefs. It may well happen, therefore, that when people contemplate proposals to uprate the scale of Citizens' Income, and with it the standard rate of income tax, the claims that divide them carry more weight than the status they share. To the extent that this is so, the prevailing dimensions of social citizenship will reflect the balance of social power. The distorting effects of unequal power could only be made to disappear in a state of perfect equality where material incentives are no longer required to motivate contributions to the monetised economy and where social relations are no longer shaped by hierarchies of status and reward. In a world of this kind, the transfer ratio could be raised to 100% with no ill effects and redistribution would proceed from each according to his (or her) ability, to each according to his (or her) need. In the world as it is, redistribution will presumably have to stop some way short of this point. How far short no one knows.

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Appendix

The tax rate required to finance a Basic Income in a fully integrated tax-transfer system

Consider a population of N persons who, for administrative purposes, are divided into k categories based on age and disability, as explained in the text. Let n_i (i = 1,...,k) denote the proportion of the population belonging to the ith category; let b* denote the *standard* rate of Basic Income payable to a single able-bodied adult of conventional working age; let m_i denote the multiplier which, when applied to b*, yields the corresponding rate of Basic Income payable to someone who belongs to the ith need category; and let b denote the *average* per capita transfer payment in a *pure* BI regime. By definition:

$$b = b^* (m_1 n_1 + m_2 n_2 + ... + m_k n_k).$$

If social transfers are financed exclusively by an earmarked tax on earnings and property income, the relationship between total tax revenue, T, and total transfer payments that must, on average, be sustained, is given by:

(1) $T = N\,b.$

Assume for simplicity that the income tax schedule is specified by just two parameters: the tax threshold, a; and the percentage tax rate, t. The tax threshold is the level of income at which people become liable to taxation. Even in a BI system, a modest personal allowance of this sort has a useful role to play. For one thing, it is not worthwhile collecting small amounts of tax. Also, if people are drawn into the tax net as soon as they earn anything at all, those with low earnings—particularly married women in part-time employment—may be tempted to withdraw from the labour force altogether. By the same token, an arrangement whereby low earners are exempt from income tax, but must, like all other citizens, register with the tax-transfer

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department in order to claim their Basic Income, is better than one which gives them an incentive to evade taxation by joining the underground economy.

The total amount of income exempted from income tax is given by:

(2) $A = a(1 - p)N + V$,

where p is the proportion of the population with original incomes below the tax threshold and V is their combined income. Divide both sides of (2) by N; let Y denote total personal income; define $y = Y/N$ as per capita income; and define $v = V/Y$ as the *share* of total income received by people who are too poor to pay taxes. Then we can write:

$A/N = a(1 - p) + v\,y$.

Alternatively, putting $q = a/y$ in order to express the height of the tax threshold as a proportion of per capita income, we can write:

(3) $A/N = (\,q(1 - p) + v\,)\,y$.

In addition to *legitimate* tax exemption, the existence of the underground economy further narrows the tax base. Let U denote that part of total monetised income which is undeclared by taxpayers and undetected by the tax authorities. Thus, $u = U/Y$ indicates the relative size of the underground economy. With a uniform tax rate applied to all (declared) income above the tax threshold, total tax revenue is given by:

(4) $T = t\,(\,Y(1 - u) - A\,)$.

Substituting from (4) into (1), we obtain:

(5) $T = t\,(\,Y(1 - u) - A\,) = N\,b$.

Dividing both sides of (5) by N and making use of (3) yields:

$T = t\,(\,1 - u - v - q(1 - p)\,)\,y = b$;

i.e.

(6) $t = r\,.\,b/y$,

where $r = 1\,/\,(\,1 - u - v - q(1 - p)\,)$.

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Thus, in a fully integrated tax-transfer system with a linear tax schedule, the tax rate required to finance Basic Income is higher: (i) the higher the ratio of minimum to average income, b/y; (ii) the larger the underground economy, u; (iii) the larger the share of income accruing to those too poor to pay taxes, v; (iv) the higher the tax threshold as a proportion of average income, q; and (v) the smaller the number of taxpayers as a proportion of the population, (1 - p). (Obviously, given the distribution of original income, the parameters p, q and v are simultaneously determined).

As emphasised in the text, no one knows how Basic Income will affect the performance of the economy. It follows that there is no way of predicting the values of the independent variables in equation (6) and therefore no way of calculating the tax rate required to finance Basic Income. But whatever the precise tax rate turns out to be, it is a safe bet that Basic Income is never going to be a "cheap" option. A plausible range of values for the socially acceptable ratio of minimum to average income, b/y, might go from 0.3 to 0.5. And in most Western states, the parameter r probably lies between 1.1 and 1.2. Thus, the BI tax rate could be anywhere between 33% and 60%.

Even the lower end of this range is widely held to exceed current levels of tax tolerance, and most BI supporters acknowledge this point. Thus, the conventional wisdom is that a fully fledged Basic Income is out of the question, at any rate for the foreseeable future. The best that can be hoped for is a Citizens' Income which is *partial*—in coverage, scales or both—but which, in the course of time, can be extended and uprated, as the ceiling of tax tolerance moves upwards. Whilst this general proposition is unexceptionable, some of the standard responses it elicits are flawed. BI partisans, in particular, are only too ready to take short-cuts and avoid facing up to the political problem of persuading the general public that Basic Income offers good value for money.

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Some people fondly imagine that the problem will eventually disappear as economic growth enlarges the tax base and lowers the BI tax rate. They deceive themselves. Any sensible conception of "subsistence" must be relative. Hence, over the long run the standard rate of Basic Income will have to rise *pari passu* with per capita income. But in this case, Basic Income will *never* be attainable without a shift in taxpayers' collective willingness to shoulder the "burden".

It is equally delusory to suppose that the "burden" borne by the average taxpayer could be greatly eased by imposing (a) higher tax rate(s) on the rich. There may be an egalitarian case for taxing "top people" more heavily than the rest of the population. Steeply progressive taxation reduces the dispersion of incomes at the top end of the range and ensures that high incomes signify high "scores" rather than high living. But a top income surcharge would affect only a minority of the total population and would not, therefore, raise much additional tax revenue, unless the share of total income accruing to this minority was extraordinarily high. In general, the only way governments can raise significant amounts of extra revenue from a graduated income tax, is to push the threshold(s) at which people become liable to (the) higher rate(s) of tax so far down the income scale that they affect substantial numbers of taxpayers. But the earlier the point at which higher tax rates begin to bite, the greater the risk of a backlash from groups which are well placed to defend themselves, whether by individual tax avoidance or collective political resistance. Moreover, the larger the numbers affected and the more complicated the tax structure, the greater the costs of tax collection. With a linear tax schedule, administrative costs are negligible as a proportion of total revenue. (This is why they are ignored in equation (1) above).

A third response to the problem of tax tolerance is to abandon the idea of tax-transfer integration altogether and seek to raise the requisite tax revenue from more than one

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source, thereby spreading or disguising the "burden". But attempting to conceal the true cost of social transfers is fundamentally dishonest and contrary to the whole spirit of Citizens' Income. It also means losing the considerable advantages of tax-transfer integration: administrative simplicity; operational transparency; distributional politicisation; fiscal discipline; and transformatory potential.

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